September 19, 2011

Judge Linda Riegle US Bankruptcy Court District of Nevada Foley Federal Building 300 Las Vegas Blvd Las Vegas, Nevada 89101 RECEIVED AND THEP

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Dear Judge Riegle,

I have enclosed the letter and information that I originally sent to you in July concerning USA Capital and the Fox Hills loan. If you review the information you will see that USA Capital was not an innocent conduit.

In 2005, their funds were depleting and borrowers were defaulting on loans. USA Capital hid this fact from investors as they solicited more funds. They solicited funds for Fox Hills loan just before they declared bankruptcy.

Please review the information I have enclosed.

I appreciate that you have scheduled a hearing on September 30, to which I have been invited. I received a letter from Marilyn Schoenike, legal assistant at Lewis and Roca law firm. It states that if I do not appear, it will be presumed that I have withdrawn my response.

Judge Riegle, my response is not withdrawn. The facts are as listed in this letter to you. I do not have further information to convey, but the information I have provided shows that USA Capital is the reason why so many have lost their money.

I do not have a lawyer to assist me in this terrible situation, and it is cost prohibitive for me to leave my job, and travel to Las Vegas.

Thank you for your time and consideration.

Sincerely,

Joseph Valls
27/18 Sedford way
Carson Wy, NV 89703

July 23. 201.

Judge Linda Riegle

To Bankruptev Court

District of Nevada

Foley Federal Building

300 Las Vegas Blvd

Las Vegas, Nevada 89101

Dear Judge Riegie,

I am writing this letter because I have received notice for the law firm Lewis and Roca, who state that "the USACM Trust contends you do not have a valid claim based on your investment in this loan" (Fox Hills 216, LLC).

The notice basically claims that USA Capital was merely a conduit, and I knew the risks of investing in this loan. It is now known that USA Capital was soliciting money in effort to keep their scheme running.

Please see the enclosed article that states that USA Capital stated that "no investor has ever lost a penny of principal" when investing with USA Capital. The article also states that in 2005 USACM hid the fact that borrowers were defaulting, which resulted in depletion of impound funds that were used to pay interest to lenders. "In a bid to stay solvent USACM not only continued to collect fees by originating speculative loans into a weakening real estate market but told investors that loans had been extended when in fact the loans had paid off. The proceeds of the payoffs, instead of being paid to the rightful beneficiaries, were diverted to pay thousands of other investors their monthly interest checks. As such every loan in the portfolio appeared to be performing." This does not sound like an innocent company.

Before USA Capital solicited funds from me for Fox Hills 216, LLC in January 2006, I had invested in four other loans. Because of USA Capital officials hid the fact that they were in trouble with those and other loans, I invested in the Fox Hill loan. USA Capital acknowledged my loan with a letter on February 1, 2006. That letter states "USA Capital continues to underwrite all loans with the same care and diligence we have used since 1989". Less than three months later USA Capital declared bankruptcy.

Much has been made that investors were seeking high interest in these loans. I was merely seeking diversification. Stocks were returning 10 - 25% at the time my loans were initiated. This loan was advertised to return 12.5%. I, unlike USA Capital, was not being greedy. I was diversifying with a company that was hiding the fact that they were in trouble.

The borrower for this loan was Mr. Kent Hoggan. Exhibit B was supplied by USA Capital to potential lenders in effort to encourage investment. It states that "Mr. Hoggan has a net worth of approximately \$210 million".

If Mr. Kent Hogan approached me in January 2006, I would not have invested with him. But it was USA Capital who solicited my funds. Without USA Capital, that money would be in my bank account.

I do not know who has my money now.

USA Capital solicited money from me, when their officials knew there were problems, when they were near bankruptcy, when they need more funds to try to bolster their scheme. USA Capital did not disclose these problems when they solicited the funds from me. To believe that USA Capital was an innocent conduit would be extremely naïve. It would also be outrageous if USA Capital officials, and the USA Capital Trust is not ordered to repay Principal and/or restitution to the Lenders that they deceived.

Thank you for your time.

Sincerely,

Joseph Walls 2778 Bedford way Carson City, NV 89703

Enclosures:

- 1. Letter to me from USA Capital dated February 1, 2006.
- 2. My Proof of Claim Form for Fox Hills 216 loan.
- 3. Exhibit B.
- 4. USA Capital article.

USA Capital

From Wikipedia, the free encyclopedia

Popularly known as USA Capital, hard money lender USA Commercial Mortgage Co.(USACM) was a Las Vegas, Nevada based mortgage broker owned by Tom Hantges, Joe Milanowski and Paul Hamilton. Affiliated with the lending/brokerage activity at USACM was a management company (USA Securities) and two funds, the Diversified Trust Deed Fund for Nevada residents only, and the First Trust Deed Fund.

There were two general categories of investors; 1.) fund investors who pooled their cash with others and allowed USACM to select which investments would be made and 2.) investors who desired to evaluate projects for themselves before investing in an individual loan. The latter were known as direct lenders.

Though there were instances of a single direct lender funding an entire loan, the vast majority of loans were funded by many entities, which included the two Trust Deed Funds themselves. Typically loans ranging from \$3,000,000 to \$30,000,000 would be funded by between 30 and 300 persons, each of whom was a fractional beneficiary of the promissory note.

The loans brokered by USACM offered investors high interest rates relative to the prevailing safe rates available on CDs and Treasury Notes. Publicly at least, USACM maintained a nearly unblemished record of stability and integrity forces are principal."

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Very often loans were made on land or projects that were very early in the development, entitlement or marketing stage. These properties did not generate rental income in most cases, so sales of units, or the refinance or sale of further entitled land was required to pay the investors back.

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or sell land to builden, borrowers began to delicat on men obligations. USACM hid this fact from both the Nevada regulators and the investits. In a bit to save super 1836 Monet only continue to confect fees by originating specializive loans into a weakening real estate market out that been extended when infant the loans had paint off. The procedual the save finite monthly interest the sightful back indicates the postfolio appeared to be performing.

On April 13, 2006 the company surprised over 6,000 investors when it declared bankruptcy. At the time of insolvency the company was managing \$962,000,000 in investor assets, making it the biggest bankruptcy case in the history of Nevada.

Marc Levinson, an attorney representing investors in USA Capital likened the operation to http://www.reviewjournal.com/lvrj_home/2006/Aug-05-Sat-2006/business/8898792.html)

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In November, 2006 some investors organized themselves as the USA Capital Lender Protection Group. By March 2007 membership had grown to over 750.

On March 15, 2007 New York private equity firm Compass Partners announced they were the highest bidder at a bankruptcy court auction. [3] (http://www.reviewjournal.com/lvrj_home/2007/Mar-15-Thu-2007/business/13160811.html) The company paid \$47 million for the right to service most of the outstanding loans, and for the assets of the USA Capital First Trust Deed Fund. Many investors were opposed to the involvement of Compass.

The same month, investors received letters from the FBI informing them that they were possible victims of a crime and that USACM was under investigation. According to an investment prospectus distributed to the Diversified Fund investors all invested funds would be secured by real estate. This was not the case as at least one sizeable unsecured loan was made to an entity owned and controlled by one or more of the principals at USACM. As a result Joseph Milanowski accepted a plea bargain and was sentenced to 12 years in prison on one count of wire fraud.

USA Capital's management was also found to be directly involved with several of the developers that were being funded, a conflict of interest and the Nevada Mortgage Lending Division later issued an opinion stating that the profit participations USACM negotiated on its own behalf while originating the loans were contrary to Nevada law.

On June 7, 2007, Michael Carmel, a Chapter 11 Trustee was appointed in the Thomas Hantges Bankruptcy Estate. The Trustee retained Brian Shapiro, Esq of the Law Office of Brian D. Shapiro, LLC as his local Las Vegas Bankruptcy counsel and Robbin Itkin, Esq. of the Law Office of Steptoe and Johnson as his general counsel. They are currently investigating the assets and transactions of Thomas Hantges.

External links

- Website for USA Capital (http://www.usacapitalcorp.com/)
- Website for Compass Loans (http://compassloans.net)
- Website for the Lenders Protection Group (http://usacapitallendersprotectiongroup.com/default.aspx)
- [4] (http://lasvegas.fbi.gov/dojpressrel/pressrel09/lv080409.htm)

Retrieved from "http://en.wikipedia.org/wiki/USA_Capital" Categories: Pyramid and Ponzi schemes

■ This page was last modified on 13 February 2011 at 17:10.

February 1, 2006

Joseph P. Walls & Ellen Walls Trustees of the Walls Family Trust dated 12/10/97 Joc Walls 2778 Bedford Way Carson City, NV 89703

Dear Joe,

USA Capital would like to take this opportunity to thank you for investing in our First Trust Deed program. Your investment of \$200000 in the Foxhill 216, LLC loan was funded on 01-26-06. You will start earning interest from 01-26-06.

USA Capital continues to underwrite all loans with the same care and diligence we have used since 1989. The interest for this first trust deed investment will be paid on or before the 10th of each month. USA Capital will fully service your investment, including monthly interest, statements, and tax reporting. If you have any questions or comments, please feel free to call (702) 734-2400. Thank you again.

Sincerely,

USA Capital

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FIRST TRUST DEED INVESTMENT

BORROWER

Posthille 216, LLC

Bedground

The loan will be personally guaranteed by Kart Hoppan who has a net worth of approximately \$210 million as of Beptember 30, 2005. Norst Hoggan has been a developer and home builder since 1973.
Focusing solely upon the Western United States with over 60 sucr master plenned communities. Over 60% of these projects have by sold to hatbonal homebuilders under the name of Ridgestrest Hom The borrower currently has more than \$6.6 million in the project のなり **Guerantees**

INTEREST RATE

LOAN AMOUNT

12.8% (ref), interest is paid monthly for the ferm of the barr. An interest please for the ferm of the barr. An interest please for the ferm amount and will be company and controlled by USA Captal.

Approximately 65% based on values of similar properties in the area. An apprehent has been ordered.

12 manths, with two optional extension of akt fronths, provided the loan is performing and no default has botuned, and aubject to approval of UBA Capital.

First Deed of That on 867 scree generally known se Fox Hills Phase II

Approval, Which we estimate to cook in Summer 2008. Merced of Board of Supervicers has already approved the fox Hills Praintill 6 as well as State Praintill 6 as well as State Praintill 152. These exertise provide scoose for Inderopollars offer of Frency, San Jose, & Modesto, Cellioring, Property is located in the county of Marced.

LOAN-TO-VALUE TERE

COLLATERAL

PROJECT

The project is the second phase of the auceastal Fox His master plenned community. It is currently plenned to provide \$.100 homes density which when completed will comprise a mittare of high- and mediumly homes, golf course with adjoining homes, attractive commercial across, it is expected the project will contain across.

USE OF PROCEEDS

The proceeds from this loan will be used to soquire the remainder of the planned community.

UBA Capite it one of the metor's leading real estate broken with more than \$700 million in seests under management. Founded in 1888, UBA Capital is a Sometid metory page company that offers qualities investore an opportunity to participate in that deed investments that are short term, provide nature of 11 to 12.5%, and are secured by real estate.

HGAPITAL

MARKET AREA

EXIT STRATEGY

Jenuery 4, 2008

CONTACT DATE

DISCLOSURES

364-0471